

Who is Paul Volcker? Obama appoints a longtime enemy of the working class

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President-elect Barack Obama announced Wednesday the appointment of former Federal Reserve Board Chairman Paul Volcker to head a White House advisory board to oversee the new administration's policies for stabilizing financial markets. The selection of the 81-year-old Volcker puts an inveterate enemy of the working class at the side of the new president, and demonstrates the class character of the right-wing government that Obama is assembling.

In the course of the week, Obama selected his entire economic team: Timothy Geithner, currently president of the New York branch of the Federal Reserve, who will become secretary of the treasury; Lawrence Summers, former Clinton treasury secretary, who will head the National Economic Council, the chief White House group for coordinating economic policy; and Peter Orszag, who will become budget director. Summers, Geithner and Orszag are all protégés of former Clinton treasury secretary Robert Rubin, former CEO of Goldman Sachs and now director and vice chairman of Citigroup.

These appointments have been greeted favorably on Wall Street, with a 1,200-point runup in stock prices since Geithner's name was made public last Friday. Congressional Republicans hailed the selection of Geithner and Summers, and an op-ed column in the *Wall Street Journal* November 28 by former Bush political adviser Karl Rove was headlined, "Thanksgiving Cheer From Obama: He's assembled a first-rate economic team."

But it is the selection of Volcker that is the sharpest warning to the working class. No other individual in modern US history is so closely identified with the deliberate creation of mass unemployment to drive down wages and smash the organized resistance of the working class to the demands of corporate America. He put into motion policies that led to the destruction of large sections of industry and the explosive growth of financial speculation in the US economy.

Volcker served as Fed Chairman from 1979 to 1987, a critical period in the history of the American working class, in which the official labor movement was effectively destroyed as an instrument of workers' self-defense, and the unions transformed into what they are today: a mechanism for the suppression of workers' struggles and the destruction of their jobs and wages.

Democratic President Jimmy Carter nominated Volcker—a former Chase Manhattan Bank executive—to head the Federal Reserve in August 1979, at a turning point for the American ruling class and world capitalism as a whole. The coming to power of Margaret Thatcher in Britain three months earlier first signaled the drastic shift to the right internationally on the part of big business. The selection of Volcker initiated a similar shift within the United States, which culminated in November 1980 when Ronald Reagan defeated Carter for reelection.

Runaway price inflation had sparked a series of bitter strikes by workers seeking to defend their living standards, and the Carter administration had suffered a humiliating defeat when more than 100,000 coal miners struck for 111 days in 1977-78 in defiance of a presidential no-strike order under the Taft-Hartley Law. The White House had been unable to cow the miners into submission—they publicly burned copies of the president's back-to-work order on the picket line—and Carter was compelled to rely on the leadership of the United Mine Workers union to deprive the rank-and-file of any gains from their struggle.

Volcker was brought in to initiate policies that would suppress inflation—and the wages movement in the working class—by driving up the rate of unemployment. Under his leadership, the Federal Reserve rapidly raised interest rates to an unprecedented 20 percent, choking off home-buying and purchases of cars and other durable goods and triggering a series of corporate bankruptcies.

The economic turmoil contributed heavily to Carter's defeat in the presidential contest, but that prospect did not faze Volcker, whose loyalty to the Democratic Party and the president who nominated him took a distant second place to his

devotion to the long-term interests of American capitalism, which required the most draconian methods.

Once Reagan entered the White House in January 1981, Volcker worked closely with the new Republican administration, and was reappointed by Reagan in 1983 to continue his inflation-fighting course. In 1982-83, the US economy plunged into the sharpest recession of the post-World War II period.

The economic devastation was focused particularly in the industrial Midwest—steel mills, auto plants, coal mines were shut down, many of them permanently. The city of Detroit began the downward slide that has continued to this day, and Buffalo, Akron, Youngstown, Gary, Indiana and countless industrial towns followed suit.

The response to the attacks by big business and the Reagan administration was the biggest wave of strike struggles since the 1940s, beginning with the PATCO air traffic controllers strike in August 1981, where Reagan ordered the firing of 12,000 workers and made the firings stick. He had the backing of the entire US ruling elite, Democrats and Republicans alike, and critical assistance from the AFL-CIO bureaucracy, which blocked any large-scale mobilization of workers behind the PATCO strikers, leaving them to isolation and defeat.

Volcker famously praised Reagan for breaking the PATCO strike, calling his action the most important factor in bringing inflation under control.

PATCO set the pattern for the struggles which followed: Greyhound, Phelps Dodge, Hormel, International Paper, A. T. Massey Coal, Continental Airlines, and Eastern Airlines. Isolated groups of workers engaged in militant and protracted battles, in many cases against state repression and employer violence, all stabbed in the back by the AFL-CIO. The outcome was the destruction of union locals, the arrest, imprisonment and even murder of striking workers, the strengthening of the bureaucratic apparatus, and the emergence of corporatism—labor-management "partnership"—as the guiding philosophy of the American unions.

Throughout this period, there was a bipartisan anti-labor front in Washington: Republican Reagan in the White House, Democrat Volcker at the Fed, a Republican-controlled US Senate, and a Democratic-controlled House of Representatives. Democratic governors and mayors worked hand-in-glove with unionbusting corporations, calling out the National Guard or mobilizing local police against strikes in Arizona, Minnesota, Kentucky, West Virginia and countless cities and towns.

Particularly relevant today is the role played by the

Democrats in the bailout of Chrysler Corporation in 1979-80. The Carter administration provided loan guarantees to Chrysler in return for concessions by the United Auto Workers union, including the first-ever cuts in wages and benefits imposed by a major American trade union on its own membership—setting the pattern for the concessions bargaining of the 1980s.

Like a criminal returning to the scene of the crime, Volcker now goes back to Washington as a principal adviser to another Democratic Party administration preparing to bail out bankrupt auto manufacturers at the expense of the auto workers and the working class as a whole. He can rely on his direct personal experience with the UAW bureaucracy to demand that the union finish the job it began three decades ago: transforming what was once the most powerful section of the American working class into a super-exploited mass of low-paid, casual laborers, without any rights.

When Obama announced that he was establishing the President's Economic Recovery Advisory Board, with Volcker as its head, he praised the "sound and independent judgment" of the former Fed chairman. That "judgment" included early support for Obama's presidential campaign—he gave \$2,300 to Obama's primary campaign last February, the most Volcker has ever contributed to any candidate, Democrat or Republican.

"Paul Volcker hasn't been in Washington for quite some time," Obama said, "and that's part of the reason he can provide a fresh perspective."

Volcker's record from 1979 to 1987 suggests what this "fresh perspective" will consist of. Unemployment in the United States reached 11.3 percent in 1982, double the level of 1975. The average wage of young workers fell 30 percent by 1987. Infant mortality, family violence, drug addiction and other concomitants of economic hardship soared.

But the wealthiest 1 percent of the population saw a staggering 50 percent increase in their wealth during that period. That is why the American ruling elite remembers the Volcker years fondly, and why, acting through their servant Obama, the financial aristocracy has summoned the old reactionary for one last service in attacking the working class.



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